

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of LS Power Grid California, LLC
(U-247-E) for an Exemption from Affiliate
Transaction Rules and the Reporting
Requirements of Certain General Orders.

Application _____

**APPLICATION OF LS POWER GRID CALIFORNIA, LLC (U-247-E)
FOR AN EXEMPTION FROM AFFILIATE TRANSACTION RULES AND THE
REPORTING REQUIREMENTS OF CERTAIN GENERAL ORDERS**

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In Decision (D.) 22-12-048, the Commission granted the application of LS Power Grid California, LLC (LSPGC) for a Permit to Construct the Orchard Substation portion of the Gates 500 kV Dynamic Reactive Support Project (Gates Project).¹ The Commission also declared that with the issuance of the Permit to Construct, LSPGC became a public utility subject to the jurisdiction of the Commission. Commission-jurisdictional public utilities are ordinarily subject to the affiliate transaction rules and the reports required by some of the Commission's General Orders (GOs).

LSPGC, however, is a transmission-only utility with no retail customers, no direct employees, and only one facility at present² and whose rates and terms and conditions of service are subject to the exclusive and preemptive jurisdiction of the Federal Energy Regulatory

¹ The portion of the Gates Project that will be constructed, owned, and operated by LSPGC, the Orchard Substation, consists of two new Static Synchronous Compensator (STATCOM) units. Pacific Gas and Electric Company (PG&E) will also construct two new single-circuit overhead 500 kV tie lines to connect the Orchard Substation to the existing, adjacent PG&E Gates Substation and will install associated facility upgrades within the Gates Substation.

² LSPGC has also requested a Permit to Construct the 500 kV Fern Road Substation, a component of the Round Mountain 500 kV Area Dynamic Reactive Support Project, in Application (A.) 22-04-004. That application is pending; a decision is expected in mid-2023.

Commission (FERC).³ For similar transmission utilities, the Commission has granted exemptions from the affiliate transaction rules and the reporting requirements of several GOs.

For the reasons stated in this Application, LSPGC respectfully asks the Commission to exempt LSPGC from the affiliate transaction rules (or, at a minimum, from Sections V.C, V.E, and V.G). LSPGC further asks the Commission to allow it to meet the reporting requirements of GOs 65-A, 77-M, and 104-A by providing comparable FERC reports (Form No. 1 and Form No. 3-Q).

I. EXEMPTION FROM THE AFFILIATE TRANSACTION RULES

A. Exemption from the Original Rules Is Warranted Because Other Mechanisms Will Advance the Goals of Fostering Competition and Protecting Consumers' Interests

LSPGC has no direct employees and relies on services provided by affiliated companies owned by LS Power, LSPGC's ultimate parent. Subject to the Commission's approval, LSPGC proposes to use the resources, personnel, and facilities of its LS Power affiliates to facilitate the most cost-effective financing, development, construction, ownership, operation, and maintenance of the Orchard Substation and other transmission projects that LSPGC pursues in the future. Specifically, LSPGC intends to use the resources and support of its affiliates for activities such as treasury and finance, accounting and financial reporting, tax accounting, legal, human resources, information technology, engineering and project oversight, executive management, operations and maintenance, and regulatory compliance. Services provided by affiliates will be provided to LSPGC at cost and at a lower cost than if these services were established on a standalone basis.⁴

³ 16 U.S.C., §§ 824(b), 824d.

⁴ See *Order Accepting Transmission Owner Tariff and Formula Rate*, 175 FERC ¶ 61,256 (2021) at P 15.

LSPGC would ordinarily be subject to the Original Rules on affiliate transactions, which apply to public utility electrical corporations that have gross annual operating revenues in California of one billion dollars or less.⁵ However, exempting LSPGC from the affiliate transaction rules is justified on two grounds. First, the services the Orchard Substation will provide are not suitable for transactions like those that are the focus of the affiliate transaction rules. Second, exemption is warranted because LSPGC, even with the proposed use of affiliates' resources, will meet the two goals of the affiliate transaction rules: to foster competition and protect consumers' interests.⁶

1. The Orchard Substation's Services Are Not Suitable for the Transactions Contemplated by the Affiliate Transaction Rules

As part of the Gates Project, the Orchard Substation will provide dynamic reactive power support services to the CAISO-controlled transmission grid.⁷ The Orchard Substation will provide reactive power or absorb reactive power as needed to maintain stable voltage on the grid. The Orchard Substation will not create any "product" that could be the subject of a transaction with customers or with affiliates. In a sense, the Orchard Substation's only customer is the CAISO-controlled transmission grid, and the benefits of its operation flow in a nondiscriminatory way to all electric consumers served by the grid. It will be physically impossible for the Orchard Substation to sell dynamic reactive power support to any individual customer or group of customers, including its affiliates, apart from its provision of dynamic reactive power support to the grid.

⁵ Adopted in D.97-12-088 and amended in D.98-08-035 and D.98-12-075, these rules are the Original Rules. In D.06-12-029, the Commission adopted revised affiliate transaction rules that apply only to the major electric utilities with gross annual operating revenues of more than \$1 billion. See also Pub. Util. Code, § 587.

⁶ D.97-12-088, p. 9.

⁷ The same services will be provided by the Fern Road Substation, the subject of A.22-04-004.

In short, LSPGC should be exempted from the affiliate transaction rules because it is incapable of entering into the transactions that the rules are intended to police. LSPGC has no ability to use the Orchard Substation to discriminate in favor of its affiliates (see Section III.A), to offer discounts to its affiliates (see Section III.B), to tie its service to any other service (Section III.C), to assign customers to its affiliates (see Section III.D), or to aid its affiliates' business development (see Section III.E). LSPGC cannot improperly disclose customer information to its affiliates, because it will have no customers (see Section IV).

Section II.G of the Original Rules provided a process for utilities to request an exemption from the affiliate transaction rules by filing an advice letter within 30 days of the effective date of the decision adopting the rules. LSPGC became a utility a quarter century after that deadline, but, as described above, LSPGC can attest that the Orchard Substation will not, and cannot, enter into transactions with affiliates for the service, dynamic reactive power support, the Orchard Substation will provide.⁸ The logic of the exemption offered by Section II.G supports LSPGC's request for exemption from the affiliate transaction rules.

2. LSPGC's Development and Operation of the Orchard Substation Meet the Goals of the Affiliate Transaction Rules

The stated objectives of the affiliate transaction rules are to further competition and protect consumers' interests (Section II.I). Both of these objectives are met by LSPGC's development and operation of the Orchard Substation.

Competition was furthered by LSPGC's successful participation in a highly competitive solicitation conducted by the CAISO. The competitive solicitation resulted in the CAISO's

⁸ The inability of LSPGC to enter into transactions for dynamic reactive power (other than supplying reactive power to the CAISO-controlled grid) holds true whether or not the affiliate is engaged in "the provision of a product that uses electricity or the provision of services that relate to the use of electricity" (Section II.B).

selection of LSPGC to finance, develop, construct, own, operate, and maintain the Orchard Substation. The Gates Project, including the Orchard Substation, will become part of the CAISO-controlled transmission system that is open to access and use by transmission customers under the terms of the CAISO Tariff. By improving the operation of the transmission grid, the Gates Project will also enhance the competitive elements of the CAISO's energy market mechanisms.

With regard to the Commission's goal of protecting consumer interests, no harm to consumers will result from a waiver of the affiliate transaction rules for LSPGC. LSPGC will not have any retail customers in California, and the CAISO's Transmission Access Charge (TAC), the exclusive vehicle for LSPGC to recover its costs, is regulated by FERC. LSPGC will recover only the costs that are approved by FERC in accordance with its jurisdiction over rates for interstate transmission service. Moreover, LSPGC has committed to cost-containment measures limiting the amount LSPGC will seek to recover from FERC, including a cap on the project's revenue requirement for 15 years and a cap on return on equity.⁹ The cap on revenue requirements is particularly beneficial to consumers. If the annual revenue requirement is lower than the annual limit, the difference can be added to the revenue requirement limit for the following year, but if the annual revenue requirement is greater than the annual limit, the amount over the limit cannot be recovered in future rates.¹⁰ This provision creates a strong incentive for LSPGC to keep the annual revenue requirement as low as possible. LSPGC will also comply with FERC's standards of conduct for transmission utilities.

⁹ See *Order Accepting Transmission Owner Tariff and Formula Rate*, 175 FERC ¶ 61,256 (2021) at P 3. See also Application (A.) 21-02-018, Appendix A (Approved Project Sponsor Agreement), § 10.1.

¹⁰ See *Order Accepting Transmission Owner Tariff and Formula Rate*, 175 FERC ¶ 61,256 (2021) at P 10.

These protections ensure that LSPGC cannot operate its facilities in a manner that improperly benefits its affiliates to the detriment of California ratepayers. Because the costs of the Orchard Substation are subject to strict cost-containment provisions, and because those costs will be reviewed for reasonableness by the FERC, the interests of California consumers are protected from the potential affiliate interactions that could result in higher retail rates. In this situation, the purposes of the affiliate transaction rules have been met, and further restrictions are unnecessary.

For these reasons, LSPGC respectfully requests the Commission to exempt it from the affiliate transaction rules.

B. At a Minimum, LSPGC Should be Exempted from Certain Rules

If a complete exemption from the affiliate transaction rules is not granted, LSPGC requests exemptions from Sections V.C, V.E, and V.G, exemptions that have been granted to other transmission public utilities.

Section V.C. of the rules provides: “A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems” Section V.E. of the rules prohibits a utility from sharing with its affiliates support services in the areas of engineering, hedging, marketing, and system operations, among other areas. As described above, because it has no direct employees, LSPGC proposes to use a variety of shared services provided by its affiliates at cost, and at a lower cost than if the services had to be developed on a standalone basis. LSPGC respectfully requests exemptions from Sections V.C. and V.E., to allow the Orchard Substation to benefit from the expertise of LSPGC’s affiliates and economies of scale for office space and equipment.

Section V.G states that a utility and its affiliates shall not jointly employ the same employees. Certain corporate officers who perform oversight activities for LSPGC's transmission assets perform similar oversight activities for LSPGC's affiliates, and certain officers with engineering duties are employed by an affiliate and work as shared service employees to support LSPGC. To permit LSPGC to continue this approach, LSPGC respectfully requests an exemption from Section V.G.

Granting these requested exemptions to LSPGC would not undermine the Commission's goals of fostering competition and protecting consumer interests. The Commission has granted similar exemptions to DCR Transmission, LLC (D.21-11-003, pp. 75–78) and Trans Bay Cable (D.20-05-012, pp. 3–6).¹¹

II. EXEMPTIONS FROM REPORTING REQUIREMENTS

A. The Requested Exemptions

LSPGC also requests exemptions from certain reporting requirements that are not necessary for a public utility that is subject to both rate regulation by FERC and strict restrictions on the costs that may be recovered in the TAC. Specifically, LSPGC requests exemptions from GOs 65-A, 77-M, and 104-A, subject to a requirement that LSPGC will provide the Commission with copies of its FERC Form No. 1 and Form No. 3-Q in lieu of the reports required by these GOs.¹²

¹¹ Trans Bay Cable did not request exemption from Section V.C, and the granted exemptions were limited to affiliates that did not share resources with the transmission utility.

¹² FERC describes its Form No. 1 as “a comprehensive financial and operating report submitted annually for electric rate regulation, market oversight analysis, and financial audits by Major electric utilities, licensees and others.” Form No. 3-Q is described as “a comprehensive quarterly financial and operating report which supplements Form 1.” Available at <https://www.ferc.gov/general-information-0/electric-industry-forms>.

- **GO 65-A** requires periodic submission of “each financial statement prepared in the normal course of business” and the annual report and other financial statements issued to stockholders. Although these reports might be useful for the Commission’s oversight of the operations of utilities subject to cost-based rate regulation, they are not warranted for LSPGC because the rates recovered through the TAC, the exclusive means for LSPGC to recover the costs of the Orchard Substation, are subject to approval and oversight by FERC, and the Approved Project Sponsor Agreement for the Gates Project includes a cap on the costs that can be recovered through the TAC. Because the Commission does not set rates for LSPGC, the reports required by GO 65-A would serve no useful purpose.

In addition, neither LSPGC nor LS Power, its parent, is a publicly traded company. Consequently, the financial reports and other documents that publicly traded companies are required to send to their shareholders and to file with financial regulatory agencies are not readily available and are not prepared in the ordinary course of business. On the other hand, LSPGC is required to prepare and file Form No. 1 and Form No. 3-Q with FERC, and providing copies for these filings to the Commission would not be unduly burdensome.

- **GO 77-M** requires submission of data on the compensation of officers and employees, dues and donations, and legal fees. Again, although this information might be useful for the Commission’s oversight of utilities subject to cost-based rate regulation, submission of this information is not warranted for LSPGC. The costs of the Orchard Substation will be recovered only through the TAC that is subject to approval by FERC, and the cost-containment provisions of the

Approved Project Sponsor Agreement for the Gates Project preclude LSPGC from including excessive costs in the TAC. As described above, both the revenue requirement and the return on equity for the Orchard Substation are subject to caps.

- **GO 104-A** requires the filing of an annual report, and the form supplied by the Commission's Energy Division requires information relevant to the regulation of cost-based rates by the Commission, such as information on income statements, sales to residential customers (LSPGC has none), and similar topics. LSPGC will provide Form No. 1 and Form No. 3-Q to FERC, and this information will be publicly available through FERC's processes.

The information required by GOs 65-A, 77-M, and 104-A largely duplicates the information that LSPGC is required to submit in regular reports to FERC. LSPGC therefore asks the Commission to allow it to satisfy the requirements of GOs 65-A, 77-M, and 104-A by submitting copies of its Form No. 1 (annually) and Form No. 3-Q (quarterly) to the Commission.

B. Consistent with the Commission's Precedent, the Exemptions Should Be Granted

When the Commission does not set a public utility's rates, the Commission has clear authority to exempt the utility from the reporting requirements of GOs that serve the Commission's objective of setting just and reasonable utility rates. In those situations, no relevant purpose is served by the reporting requirements, and the Commission has historically granted exemptions to the reporting requirements of GOs 65-A, 77-M (and its predecessors), and 104-A when the Commission did not set the utility's rates.¹³

¹³ See, e.g., D.88-09-066 (exemption from GO 123-G), D.89-11-010 (exemption from GO 123-G), D.96-07-052 (exemption from GO 77-K), D.98-02-014 (exemptions from GOs 77-K and 104-A), D.98-09-024 (exemptions from GOs 77-K and 104-A), and D.00-12-030 (exemptions from GOs 65-A and 77-K).

For example, the Commission granted exemptions from GOs 65-A and 77-K to Wild Goose Storage Inc. (Wild Goose), and limited Wild Goose's filing requirements under GO 104-A. Wild Goose was not subject to a traditional cost-of-service, rate-of-return regulatory framework, and the annual reports served little purpose for the Commission's regulation of Wild Goose.¹⁴

In *Southern Pacific Transportation*, D.96-07-052, the Commission recognized "a clear and direct relationship between the expenses claimed by a utility regulated by the Commission and the rates which are allowed to be charged for the provision of utility services."¹⁵ After concluding that "this Commission no longer has jurisdiction over the setting and enforcement of intrastate rail rates," the Commission exempted Class I railroads from GO 77-K.¹⁶

Similarly, when the Commission's authority to regulate the rates of cellular phone companies was federally preempted, the Commission exempted those companies from GOs 77-K and 104-A. As the Commission explained, "General Orders 77-K and 104-A were originally adopted by the Commission for the purpose of requiring utilities to provide the Commission with information useful in setting utilities' rates. . . . Since we no longer have authority to regulate [cellular] rates, the original purpose for requiring [cellular] providers to comply with GOs 77-K and 104-A has vanished."¹⁷

¹⁴ D.00-12-030, pp. 4–5. After Wild Goose expanded its operations, the Commission withdrew the exemptions because it could no longer clearly determine whether Wild Goose possessed the ability to exercise market power. (D.02-07-036.) Because LSPGC does not and cannot exercise market power and cannot engage in predatory pricing, the Commission's original reasoning is relevant to LSPGC's request for exemption from these reporting requirements.

¹⁵ D.96-07-052, p. 3.

¹⁶ *Id.* at p. 5.

¹⁷ D.98-09-024, pp. 6–7. See also D.98-02-014, p. 4.

LSPGC's rates will be set by FERC, not the Commission. Because the Commission will not have the authority to set LSPGC's rates, the reason for requiring compliance with GOs 65-A and 104-A "has vanished," and LSPGC should be granted the requested exemptions.

C. Recent Variations

Recent decisions have introduced some variations to the Commission's historical practice.

1. FERC Form Nos. 1 and 3-Q as Proxies for GOs 65-A and 104-A

In D.19-07-002 (Trans Bay Cable) and D.21-11-003 (DCR Transmission), the Commission allowed the transmission utilities to submit the FERC Form No. 1 and Form No. 3-Q as proxies for the reports required by GOs 65-A and 104-A. In each case, the Commission ruled that the FERC forms were reasonable proxies for the reports required by GOs 65-A and 104-A because (1) the entities are wholesale-only utilities that do not have their rates set by the Commission and are operationally controlled by CAISO, (2) the Commission's oversight of the utilities regarding safety issues will be unaffected, and (3) there will be a reduction of the Commission's regulatory work burden and of work by the utilities to prepare and file GO 65-A and GO 104-A information.¹⁸

LSPGC meets these same criteria. The Commission should, consistent with this precedent, allow LSPGC to comply with GOs 65-A and 104-A by submitting FERC Form Nos. 1 and 3-Q as proxies for the filings required by these GOs.

2. GO 77-M

As noted above, for many years the Commission regularly exempted utilities from the requirements of GO 77-M and its predecessors once the utilities were no longer subject to rate

¹⁸ D.21-11-003, p. 70; D.19-07-002, p. 8.

regulation by the Commission. When the Commission adopted the predecessor to GO 77-M, for example, it expressly exempted several types of telecommunication utilities because they “are not rate-regulated by the Commission, and we do not use GO 77 data filed by them.”¹⁹

But some more recent cases have deviated from this precedent. In D.12-11-017, the Commission denied the request to exempt certain telecommunications utilities from GO 77-M. The Commission denied the exemption because some of the utilities’ services continued to be regulated by the Commission, and compliance with GO 77-M was seen as a tool to assist the Commission in its duty to ensure that rates remain just and reasonable. In that case, certain rates were detariffed and not subject to review by another regulatory entity. By contrast, none of LSPGC’s rates or services are subject to the Commission’s jurisdiction, and LSPGC’s rates will be reviewed by FERC, which will allow only rates that are just and reasonable to take effect.²⁰ D.12-11-017 also expressed concerns that residential rates would be used to cross-subsidize other activities. LSPGC has no residential or other customers, and the cost-containment provisions and FERC rate regulation prevent it from accumulating excess revenues from utility service.

Since FERC has the exclusive authority to set LSPGC’s rates and to determine whether LSPGC’s rates are just and reasonable, LSPGC’s compliance with the requirements of GO 77-M is both unnecessarily duplicative and inefficient. Given LSPGC’s FERC-jurisdictional status, the proper forums for determining whether LSPGC’s rates are just and reasonable are FERC proceedings under sections 205 (Transmission Owner rate case) or 206 (complaints regarding rates) of the Federal Power Act. No other factors cited in D.12-11-017 are present or relevant in

¹⁹ D.04-08-055, p. 6.

²⁰ 16 U.S.C., § 824d.

the instant case. LSPGC has no retail customers. LSPGC will have two dynamic reactive support substations that are only a small portion of the facilities under the operational control of the CAISO. However viewed, LSPGC is not a dominant participant in the transmission market.

Similarly, LSPGC represents only a tiny fraction of electric transmission costs in California. LSPGC provides only dynamic reactive support service, does not serve residential customers, and is not a participant in competitive markets for electricity products.

In a later decision, D.18-09-030, the Commission excused NextEra Energy Transmission (NEET) West from the reporting requirements of GO 77-M (as well as GOs 65-A and 104-A) when it granted a Certificate of Public Convenience and Necessity for the Suncrest Dynamic Reactive Power Support Project.²¹ The reasons the Commission gave for exempting NEET West's Suncrest project from these reporting requirements apply equally to LSPGC. Like NEET West:

- LSPGC was awarded the right to construct and operate the Orchard Substation in a competitive solicitation conducted by the CAISO, a process that lowers costs to customers;
- LSPGC will recover costs associated with the Gates Project through the TAC, which is subject to FERC's approval and oversight;
- LSPGC has committed to binding cost-containment provisions that limit the costs that LSPGC can recover through the TAC;
- LSPGC does not serve retail customers in California, and LSPGC has no ability to recover costs directly from retail customers in California. There is no risk of customer confusion or privacy violations, and

²¹ D.18-09-030, pp. 47–48.

- LSPGC does not have the potential to exercise market power to the detriment of consumers or to engage in predatory pricing for use of its facilities.

LSPGC submits that its regulatory position is much closer to that of NEET West than to the position of the telecommunications companies addressed in D.12-11-017.²² For the reasons the Commission cited when it exempted NEET West from these reporting requirements, LSPGC asks the Commission to allow it to comply with the reporting requirements of GO 77-M by submitting its FERC No. Form 1 and Form No. 3-Q.

III. THE COMMISSION'S CONTINUING AUTHORITY

FERC's exclusive jurisdiction over the rates for LSPGC does not mean that the Commission's other authorities are preempted. In particular, the Commission will still have broad authority over health and safety matters. The California Supreme Court has ruled that the Commission "has comprehensive jurisdiction over questions of public health and safety that arise from utility operations,"²³ and that authority is not subject to federal preemption.

In addition, LSPGC will continue to be subject to GO 131-D (construction of power lines and substations), the basis for LSPGC's applications for Permits to Construct the Orchard and Fern Road substations. To the extent that LSPGC constructs overhead power lines as part of a future project, LSPGC will be subject to GO 95.²⁴

²² In D.19-07-002 and D.21-11-003, the Commission denied requests for exemption from GO 77-M because Form No. 1 was deemed not to be an adequate proxy for the report required by GO 77-M. The Commission's explanation for why it deviated from its precedent is not entirely clear. In any event, LSPGC will have no employees who would trigger a reporting requirement under GO 77-M, and, if the Commission permits, all of the individuals providing executive functions for LSPGC will be employed and compensated by affiliates.

²³ *San Diego Gas & Electric Co. v. Superior Court* (1996) 13 Cal.4th 893, 924. See also Pub. Util. Code, §§ 451, 768.

²⁴ LSPGC will also prepare Wildfire Mitigation Plans in compliance with the requirements of the Office of Energy Infrastructure Safety (OEIS) and will perform the safety culture assessments overseen by OEIS.

LSPGC's requests for exemption are not motivated by a desire to escape jurisdiction. Instead, LSPGC's proposals are designed to allow the Commission to perform its duties more efficiently and to allow LSPGC to comply with the Commission's requirements in an efficient manner.

LSPGC also notes that the Commission withdrew the exemptions it granted Wild Goose after Wild Goose expanded its operations and the Commission became uncertain about whether Wild Goose possessed market power.²⁵ The Commission may also withdraw the exemptions it grants to LSPGC if expanded operations or other developments lead the Commission to question whether exemptions are appropriate.

IV. PROCEDURAL AND STATUTORY REQUIREMENTS

Pursuant to Article 2 of the Commission Rules of Practice and Procedure, LSPGC provides the following information:

A. Authority (Rule 2.1)

LSPGC submits this Application pursuant to applicable prior decisions, orders, and resolutions of the Commission, including D.96-07-052, D.98-02-014, D.98-09-024, D.00-12-030, D.18-09-030, D.20-05-012, and D.21-11-003, among others.

B. Applicant's Legal Name, Location of Principal Place of Business (Rule 2.1(a))

Applicant's exact legal name is LS Power Grid California, LLC. Its principal place is located in East Brunswick, New Jersey. Applicant is a limited liability company and is a public utility authorized to do business in the State of California.

²⁵ D.02-07-036.

C. Correspondence (Rule 2.1(b))

LSPGC requests that all correspondence or communications in connection with this Application and notices, orders, and other papers be addressed and served on the following persons:

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With copies to:

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Telephone: (636) 532-2200
Email: mmilburn@lspower.com

and

LS Power Grid California, LLC
Attn: Managing Counsel
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Chesterfield, Missouri 63017
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Email: cbrandt@lspower.com

D. Articles of Organization (Rule 2.2)

Copies of LSPGC's Certificate of Formation in the State of Delaware and Certificate of Registration filed with the Secretary of State of California on March 1, 2019 were previously filed with the Commission on April 6, 2022, in connection with Application 22-04-004, and are incorporated herein by reference.

E. Proposed Category of Proceeding (Rule 2.1(c))

LSPGC proposes that the Commission categorize this proceeding as a ratesetting proceeding. Although rates are not at issue in this proceeding, the definitions of “adjudicatory” or “quasi-legislative” proceedings set forth in Rules 1.3(a) and 1.3(f) clearly do not apply to this Application. Rule 7.1(e)(2) specifies that when a proceeding does not fit clearly into any other category, it should be conducted under the rules for ratesetting proceeding, and Rule 1.3(g) defines ratesetting proceedings to include “[o]ther proceedings” that do not fit clearly into any other category.

F. Need for Hearing and Procedural Schedule (Rule 2.1(c))

LSPGC believes that no hearing will be necessary for this proceeding, and respectfully requests that the Commission find that no hearing is necessary. There are no factual disputes requiring resolution, and all relevant facts are presented in this verified Application. The only issues to be considered are whether the Commission should grant the requested exemption from the affiliate transaction rules (or, at a minimum, from Sections V.C, V.E, and V.G) and whether the Commission should allow LSPGC to comply with the reporting requirements of GOs 65-A, 77-M, and 104-A by submitting copies of its FERC Form No. 1 and Form No. 3-Q. LSPGC has explained why the Commission should grant the affiliate transaction rule exemptions and GO exemptions pursuant to precedent. LSPGC is unaware of any specific objections any party might raise to any of these issues. LSPGC respectfully asks the Commission to conclude that the public interest does not require a hearing on LSPGC’s request.

In compliance with Commission Rule 2.1(c), LSPGC provides the following proposed schedule for the Commission’s consideration:

Event	Estimated Date	Interval After Filing (number of days)
Application filed	January 9, 2023	0
Notice of filing published in Daily Calendar	January 12, 2023	+3
Protests and Response due	February 13, 2023	+33
Prehearing Conference	March 6, 2023	+53
Scoping Memo and Ruling	March 16, 2023	+63
Proposed Decision	May 15, 2023	+123
Decision	July 13, 2023	

G. Service

This Application is being served on all parties on the service lists for LSPGC's two applications for Permits to Construct: A.21-02-018 (Gates Project) and A.22-04-004 (Fern Road Substation).

V. CONCLUSION

For the reasons stated in this Application, the Commission should grant the requested exemptions from the affiliate transaction rules and allow LSPGC to meet the reporting requirements of GOs 65-A, 77-M, and 104-A by submitting copies of its FERC Form No. 1 and Form No. 3-Q.

Granting the requested affiliate transaction rules exemptions to LSPGC would not undermine the Commission's goals of fostering competition and protecting consumer interests. Because LSPGC's rates are subject to the exclusive jurisdiction of FERC, its size is small, and it has no retail customers, the reporting requirements of GOs 65-A, 77-M, and 104-A do not help the Commission regulate utility rates or fulfill its responsibilities for consumer protection or market monitoring. Requiring LSPGC to submit the reports required by these GOs, rather than allowing submission of Form No. 1 and Form No. 3-Q as proxies, would needlessly consume the

Commission's time and resources and increase LSPGC's burden of complying with regulatory requirements.

For these reasons, LSPGC respectfully asks the Commission to issue an order:

- Exempting LSPGC from the affiliate transaction rules;
 - If an exemption is not granted, the Commission should, at a minimum, exempt LSPGC from the requirements of Sections V.C, V.E, and VG.
- Allowing LSPGC to comply with the reporting requirements of GOs 65-A, 77-M, and 104-A by instead submitting copies of LSPGC's FERC Form No. 1 and Form No. 3-Q.

Respectfully submitted this 9th day of January, 2023, in San Francisco, California.

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By /s/ Brian T. Cragg

Brian T. Cragg

Attorneys for LS Power Grid California, LLC

VERIFICATION

I, Mark D. Milburn, declare:

I am an officer of LS Power Grid, LLC, and am authorized to make this verification on its behalf. The statements in the foregoing Application are true of my own knowledge, except as to the matters stated upon information or belief, and that as to those matters, I believe them to be true.

I certify under penalty of perjury that the foregoing is true and correct.

Executed this 9th day of January in Chesterfield, Missouri.



Mark D. Milburn
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